



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the Insurance Department to Insurance and Real Estate Committee

March 3, 2015

Raised S.B. No. 983 AN ACT CONCERNING THE INSURANCE DEPARTMENT'S FINANCIAL REGULATORY OVERSIGHT OF INSURANCE COMPANIES

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising Senate Bill 983: An Act Concerning the Insurance Department's Financial Regulatory Oversight Of Insurance Companies, at the Department's request and appreciates the opportunity to provide written testimony.

This bill modifies various insurance statutes to strengthen the Department's ability to regulate the industry and protect consumers.

The more substantive changes include:

- Amending the financial examination statute to require the Board of Directors of examined companies to receive and review exam reports and provide documentation of that review for their corporate files. (Sec. 1.)
- Amending the financial analysis workpaper confidentiality provisions in section 38a-69a to align to the financial examination (38a-14) and Holding Company (38a-137) confidentiality provisions. This would remove inconsistencies between the confidentiality protections of these financial oversight materials. (Sec. 3.)
- Including health care centers under the Commissioner's authority to order health care center holding companies and affiliates to produce any books, records and other information in the possession of the holding company or affiliates as are reasonably necessary to ascertain the financial condition of the health care center or to determine compliance with Connecticut's insurance holding company system statutes. Although most, if not all, health care centers comply with this requirement, the statutory authority should be explicit. (Sec. 9.)
- Providing the Commissioner discretion to extend the quarterly and annual financial statement filing deadline in section 38a-53 when (1) governor of a company's state of domicile has proclaimed a state of emergency and state of emergency impairs the

company's ability to file the statement, (2) the insurance regulator of the home state of the insurer has authorized a delay for filing requirements, or (3) for a domestic insurance company or health care center, for good cause shown. (Sec. 2.)

- Amending the Credit for Reinsurance statute to align with the NAIC Credit for Reinsurance Model Law relating to which commissioner has principal authority over an assuming insurers trust to permit reductions in trustee assets under the credit for reinsurance statute. (Sec. 4.)
- Amending the Insurance Holding Company Statutes to: (1) add language in section 38a-136(b)(1) concerning review of material transactions to mirror the NAIC Insurance Holding System Regulatory Act with respect to reinsurance agreements and tax allocation agreements which is needed to be in place by January 2016 to satisfy NAIC accreditation requirements; (2) clarify that the Commissioner has the authority determine, after notice and opportunity to be heard, that a person, directly or indirectly, alone or pursuant to a written agreement, arrangement or understanding with one or more other persons, exercises such influence over the management and policies of an insurance company that it is necessary or in the public interest for the protection of the insurer's policyholders that such person or persons be deemed to control such company, notwithstanding the absence of a presumption to that effect; and (3) amend 38a-130(a)(2)(A) concerning prior approval of agreements to acquire control of a domestic insurance company or corporation controlling a domestic insurer, by adding after the word "agreement" the words "arrangement or understanding, whether written or oral". (Sec. 5, 6, 7, 8)

The Department again thanks the Committee for raising this bill and encourages the Committee's support of this initiative. We would be happy to answer any questions you may have.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.

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